



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
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July 9, 2004

The Honorable David S. Whitacre
Chief Judge
County of Clarke General District Court
5 N. Kent Street
Winchester, VA 22601

The Honorable Dennis Lee Hupp
Magistrate Supervising Authority
County of Clarke Circuit Court
102 N. Church Street
Berryville, VA 22611-0189

As part of our audit of the Virginia District Court System, we have audited the cash receipts and disbursements of the County of Clarke General District Court and the Twenty-sixth Judicial District Magistrate's office for the period April 1, 2003 through March 31, 2004.

Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system and in the Magistrates' records; evaluate the Court's and the Magistrates' internal controls; and test compliance with significant state laws, regulations, and policies. However, our audit was more limited than would be necessary to provide assurance on the internal controls or on overall compliance with applicable laws, regulations, and policies.

The results of our tests found the Court properly stated, in all material respects, the amounts recorded and reported in the financial management system; no material weaknesses in the internal controls; and no instances of noncompliance with applicable laws, regulations, and policies.

MAGISTRATE ISSUES:

The results of our tests of the Magistrate's Office found that the Magistrates properly stated, in all material respects, the amounts recorded and reported in the financial records. However, we noted a weakness in internal controls and noncompliance with applicable laws, regulations, and/or policies that the Chief Magistrate needs to address as described below.

Follow Accounting Procedures

Magistrates did not follow cash depositing and accounting procedures as outlined in Chapter X of the Magistrate's Manual. Specifically, we found the following.

- For five of ten receipts tested, Magistrate Edwards deposited funds totaling \$500 to \$2,500 up to three days late. Further, for four of eight receipts tested, Magistrate Kennedy failed to deposit funds totaling \$500 to \$1,000 up to three days late.

Chapter X of the Magistrate's Manual requires magistrates to deposit funds in the bank at least weekly or whenever collections exceed \$350. Failing to deposit collections timely increases the risk of the loss of funds due to theft or misappropriation. Magistrates should deposit collections at least weekly or daily when funds exceed \$350.

- Magistrate Edwards failed to reconcile her official bank account monthly. We found that she had not reconciled the account for the months November 2003 through May 2004 until we raised the issue during test work.

Reconciling the bank account monthly is an important internal control as it helps to identify differences between the bank's and the magistrate's financial records. Chapter X of the Magistrate's Manual requires magistrates to reconcile their checking account monthly by comparing the check book balance to the bank statement balance and then identifying and promptly resolving any differences. Failing to reconcile the checking account could result in errors going undetected.

The Chief Magistrate should take the necessary steps to ensure that all magistrates follow proper accounting procedures as outlined in Chapter X of the Magistrate's Manual. The Chief Magistrate should conduct refresher training when necessary so that magistrates can obtain and maintain competency in proper accounting procedures. Further, we recommend the Chief Magistrate frequently perform supervisory review of magistrates' records to ensure compliance with Chapter X of the Magistrate's Manual.

We acknowledge the cooperation extended to us by the Court and Magistrates during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

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cc: The Honorable Norman deV. Morrison, Judge
Monica A. Christian, Clerk
Paul Delosh, Director of Technical Assistance
Supreme Court of Virginia